

Agency:	107 Health Care Authority
Decision Package Code/Title:	ML2-LF Shift Funding for ICD-10 Compliance
Budget Period:	2015 Supplemental Submittal
Budget Level:	ML2 – Maintenance Level

Recommendation Summary Text

The Health Care Authority (HCA) requests a reduction of \$655,000 (\$88,000 Medicaid Fraud Penalty Account) in fiscal year 2015 to continue efforts toward the implementation of the International Statistical Classification of Diseases, Version 10 (ICD-10) in fiscal year 2016.

Package Description

ICD-10 is the tenth revision of the International Statistical Classification of Diseases, a medical classification list which standardizes codes for diseases, symptoms, other causes of injury, and medical procedures. These codes are primarily used by hospitals to document the diagnoses and symptoms of patients and the procedures performed therefor.

In January 2009, the U.S. Department of Health and Human Services (HHS) published a rule mandating ICD-10 as the new national coding standard with an implementation date of October 1, 2013. This deadline was later postponed to October 2014.

On April 1, 2014, the *Protecting Access to Medicare Act of 2014* was enacted, which included a provision that further delays the implementation by at least one year. In response, on July 31, 2014 CMS published a rule establishing October 1, 2015 as the new compliance date. Although the HCA has adopted an approach that keeps the HCA moving forward towards ICD-10 compliance according to the current plan (2014) and funding, there are some provider testing and readiness activities that cannot reasonably be completed until closer to the implementation date in October 2015.

The technical components of the ICD-10 project are on track to be completed by October 2014. This includes clinical mapping of ICD-10 codes, configuration and testing of ProviderOne reference tables and edits and ProviderOne vendor Change Requests related to interfaces and reporting.

During 2014, the project team continued its planning efforts related to provider testing, program impact assessment, communications and training. Based on the new October 2015 deadline, it is anticipated that the ICD-10 project team will be reduced to near zero by January 2015 then again be increased in May 2015 to support provider testing.

The federal delay of the implementation date requires the HCA to shift some project activities from fiscal year 2015 to fiscal year 2016. This proposal therefore requests to reallocate \$655,000 (\$88,000 Medicaid Fraud Penalty Account) from fiscal year 2015 to fiscal year 2016. The HCA will require the resumption of a contracted Project Management resource to manage configuration of the provider testing environment, provider testing activities and provider implementation.

This request assumes that vendor services for the provider test environment are limited to the monthly cost to maintain the environment and excludes the set up costs that would be completed in fiscal year 2015. In addition, funding for clinical consulting is included in the event additional mapping requirements are identified. Resources to support the costs of interfaces between the core system and the Pharmacy subsystem are included. A few months after the federal delay was

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announced, the pharmacy subsystem vendor chose to delay the work of updating these interfaces for ICD-10 compliance until August 2015.

The assumed federal financial participation (FFP) rate is 90 percent for costs prior to the new compliance date and 75 percent for costs after that date.

Questions related to this request should be directed to Nicholas Aaseby at (360) 725-0455 or at Nicholas.Aaseby@hca.wa.gov.

Fiscal Detail/Objects of Expenditure

	FY 2015	Total
1. Operating Expenditures:		
Fund 19A-1 Medical Fraud Penalty Account- State	\$ (88,000)	\$ (88,000)
Fund 001-C GF-Federal Medicaid Title XIX	\$ (567,000)	\$ (567,000)
Total	\$ (655,000)	\$ (655,000)
	FY 2015	Total
2. Staffing:		
Total FTEs	-	-
	FY 2015	Total
3. Objects of Expenditure:		
A - Salaries And Wages	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -
E - Goods And Services	\$ (655,000)	\$ (655,000)
G - Travel	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ -
Other (specify) -	\$ -	\$ -
Total	\$ (655,000)	\$ (655,000)
	FY 2015	Total
4. Revenue:		
Fund 001-C GF-Federal Medicaid Title XIX	\$ (567,000)	\$ (567,000)
Total	\$ (567,000)	\$ (567,000)

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Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This proposal is essential to achieving compliance with federal regulations. This request funds the final phase of the conversion to ICD-10: the testing activities for Medicaid providers. Conversion to ICD-10 is required to maintain federal participation for Medicaid programs.

Performance Measure Detail

Activity Detail

H003 HCA Information Technology

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

The mission of the HCA is to provide high quality health care for the state's most vulnerable residents. This request funds necessary compliance activities that will ensure the viability of the Medicaid program.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?

Success of the ICD-10 conversion is essential to sustaining the Medicaid program and supports Governor Inslee's Results Washington Goal 4: Healthy and Safe Communities particularly in the area of Healthy People: "Provide access to good medical care to improve people's lives."

What are the other important connections or impacts related to this proposal?

ICD codes are used in almost every clinical and administrative process and system within the State's Medicaid operation. The impacts on providers, including doctors, hospitals, managed care organizations, tribal clinics, and long-term care facilities, can be positive if the project is adequately funded, well managed and the providers have the opportunity to participate in testing activities. These organizations are also required to convert to ICD-10. Coordinating efforts with these vital stakeholders is critical to success.

These provider implementation activities will also help the HCA and providers anticipate and prepare for possible shifts in reimbursement.

What alternatives were explored by the agency, and why was this alternative chosen?

The HCA has looked for ways to absorb the state impact of implementing these changes; however, due to the significant workloads already on the available staff it is not possible to accomplish this required conversion without additional funds to cover the state costs.

What are the consequences of adopting this package?

This funding request enables the HCA to make the required conversion to ICD-10, comply with federal regulations and maintain federal participation for the Medicaid programs. The enhanced federal funding covers 90 percent of design, development, and implementation costs for this conversion. Adopting this proposal enables Washington to maintain its compliance with federal

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requirements and thereby continue to receive several million dollars per year in enhanced federal funding.

Medicaid provides medical, behavioral health and long-term-care coverage to more than 1.4 million Washingtonians. Maintaining eligibility for federal funding allows Washington to sustain this level health coverage. Losing the eligibility for federal funding would cause Washington to decrease coverage and thereby prevent many adults and children from obtaining the care they need.

All providers and payers in the nation are required to make this change. Compliance with this change will allow the state to continue accepting electronic claims from its tens of thousands of providers.

What is the relationship, if any, to the state capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in to implement the change?

None

Expenditure and Revenue Calculations and Assumptions

Revenue Calculations and Assumptions:

The revenue calculations assume this project will qualify for 90 percent FFP for all of the design, development and implementation costs of the project up to the compliance date October 1, 2015. After the October 1, 2015, the FFP will likely decrease to the operational rate of 75 percent.

Expenditure Calculations and Assumptions:

The HCA has procured a contractor to provide project management and oversight through October 2014. The HCA will resume the contract services in May of 2015 to complete the testing and readiness for the October 1, 2015 deadline. The HCA has procured a clinical coding contractor to assist with ICD-9 and ICD-10 equivalency definitions and thereby support policy updates and system changes. This request also funds the operational cost for a provider test environment for the duration of the project or about December 2015.

Which costs, savings, and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

All costs are one-time.

Budget impacts in future biennia:

None